

WHAT THE DEFENSE CONTRACT AUDIT AGENCY (DCAA) WANTS CORPS TO KNOW

DCAA ADAPTING TO CUSTOMERS' CHANGING NEEDS *(Peggy Kruse, CPA)*

This article gives an overview of the initiatives in place at the Defense Contract Audit Agency. These initiatives support customers' changing needs during this time of acquisition reforms, streamlining, and the movement toward electronic contracting.

The Defense Contract Audit Agency (DCAA) is continually addressing the responsiveness and timeliness of its services. It has adopted new ways of working with customers because of acquisition reform and streamlining and as a result of its increased customer focus over the years. DCAA auditors are not magicians, nor can they always leap tall buildings in a single bound. However, within the structure of government auditing standards, DCAA auditors strive to provide requested services effectively and efficiently.

Acquisition Reforms and Streamlining

Acquisition reforms and streamlining have changed the way DCAA does business as they have for the rest of the acquisition work force. Some of the more frequent issues that come up as part of my duties as a procurement liaison auditor (PLA) are DCAA participation in integrated product teams (IPT), performance of cost realism reviews, assistance with commercial pricing, and support of Paperless office initiatives.

One of the biggest changes has been in evaluation of proposals. Under the working-level IPT process, referred to by some organizations as alpha contracting, DCAA works with a team of contractor and government representatives to evaluate the proposal as the contractor submits its elements. The contractor then prepares the certified proposal using the results of the IPT's deliberations and DCAA is able to provide an audit report very quickly. With good communication, all IPT members should be knowledgeable about the proposal and any remaining

reservations DCAA may have by the time the certified proposal and audit report are prepared.

Although DCAA participation on these teams sometimes involves more auditor time than a traditional proposal audit, the IPT process results in a substantially shorter time for the entire government review. The intent is to avoid rework usually associated with sequential reviews by identifying problems and potential solutions in the earliest stages.

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Audit Services

Types of audit services available with of IPTs, or with traditional review services, include full audit, application of agreed-upon procedures, and review of a specified cost element. The auditor can work with the contracting officer (CO) to determine the best choice.

Applications of agreed-upon procedures are reviews of limited information, such as verification of current or overhead rates, verification of estimating techniques, or application of certain procedures to high-dollar material items.

Reviews of specified cost elements are performed when the requester asks for a full review of an entire cost element but not a review of the entire proposal.

As a member of an IPT, the auditor is able to provide real-time feedback on data required to support the proposal, contractor estimating techniques and impact of any deficiencies, and portions of the proposal as they are approved by contractor management (e.g., bill of materials, other direct cost, and the like).

To adhere to the audit standard of independence, DCAA auditors generally do not sign the IPT memorandum of agreement. However, they are full team members and can communicate to the team leader in writing the auditor's expected role on the team and milestones that will be met. DCAA fully supports the IPT approach. In addition to the benefit of resolving issues during the early stages in a more timely manner, much learning and understanding of others' perspectives occurs as the full team discusses technical and audit issues.

Cost Realism Reviews

When requested, DCAA also assists with cost realism reviews. These reviews are performed on procurement for cost type contracts to be awarded competitively during the source selection process. For cost realism reviews, DCAA performs agreed-upon procedures on selected areas of cost to determine reasonableness and identify possible understatement. Because of the limited risk involved in an environment where a reasonable range can normally be

determined from competitive proposals, DCAA is usually able to perform these reviews in a relatively short time.

Cost realism reviews are more than rate checks but less than full proposal audits. Using information available in the field office, auditors can provide their expertise on areas such as contractor's estimating methods, forward pricing factors, reliability of prior cost estimates, and any areas specified by the CO in the request for DCAA services.

Commercial Pricing

In support of commercial pricing, DCAA performs agreed-upon procedure reviews of "other than cost or pricing data" submitted to Cos. With the more recent move to market research, DCAA also is able and willing to support such activities as collecting and analyzing relevant data from contractor records.

Paperless Office Initiatives

DCAA is working in full support of DOD's Paperless office initiatives. DCAA involvement includes electronic mail, an Internet home page, and inclusion of DCAA's Contract Audit Manual (CAM) in the automated Defense Acquisition Deskbook (DAD).

DCAA has been increasing its use of electronic mail for correspondence and audit reports for several years and has committed to 100 percent electronic transmission audit reports by January 1, 2000. Communication between the auditor and customer on the compatibility of their software is crucial to meeting this goal.

DCAA's home page contains audit guidance memorandums that have not yet been incorporated into the CAM as well as information about the agency. Check it out at <http://www.dtic.mil/dcaa>.

Searches for specific subjects, such as "cost realism," will provide links to many documents including the CAM. (You will find additional information in the CAM about topics discussed above: IPTs, 1-805 and 1-806; Cost realism, 9-311.4; Agreed-Upon Procedures and specified Element Reviews, 9-108; and Other Than Cost or Pricing Data, 9-206 and 14-907.)

As with all new procedures, not everyone at DCAA or the acquisition centers has the same level of experience and expertise with acquisition centers has the same level of expertise with acquisition initiatives. In this learning

environment, DCAA uses many means to keep auditors informed and provide reinforcement formal classes, seminars, videos, guidance memorandums, team meetings and auditor-to-auditor sharing of experience. It will take time and practice for DCAA auditors to become comfortable with using new processes. As DCAA auditors become more familiar with expectations and constraints, today's extraordinary effective communication and efficient operation will soon become the norm.

Customer Focus

Customer focus is a major part of DCAA's strategic plan. One goal is to "assure customer satisfaction by providing timely and responsive audits and financial services that meet or exceed customer requirements and expectations. "To measure progress in this area, DCAA performs periodic customer surveys in which it asks buying officials about all experiences with DCAA. Results of a 1997 overall customer satisfaction survey are shown in figure 1.

Although these ratings are up from those in a 1995 survey, there is still room for improvement.

DCAA encourages field auditors to work with COs before, during, and after the audit/review to prioritize and determine how best to respond to the COs needs. As a result of DCAA's significant experience with many contractors, auditors are usually able to provide expertise based on that experience and to recommend the most efficient and effective audit services for the situation. For occasional emergencies, DCAA is willing and eager to cooperate as fully as possible to satisfy a command's mission requirements.

In addition to the field auditors, PLAs, many of them located at customer sites, are available to assist customers. PLAs do not interfere with routine cooperative relationships between customers and cognizant audit offices. They do not, however, get involved in facilitating communication when there is confusion or disagreement on audit matters, or when unusual audit requests are being made. PLAs provide general expertise day to day to COs, contract specialists, and price analysts on both audit matters and types of audit services available. PLAs also elevate unusual or systematic customer concerns to DCAA management.

Although DCAA acknowledges the need for auditors to ensure their full involvement with the customer during the

audit or review, COs also are encouraged to communicate with the auditor before, during, and after audit/review.

DCAA's regions and headquarters monitor the number of elapsed days from the date on CO request to the CO's receipt of an audit report. Late receipt of an adequate proposal is a mitigating factor that can delay an audit, but the measurement still begins with the date of the CO request. Comments, concerns, and recommendations about audit services should be raised to DCAA through the field audit office, PLA, or directly to agency management. If you are in doubt as to whom to contact, call the Audit Liaison Division at 703/767-2300. DCAA always appreciates feedback and uses it to continuously improve its services and customer satisfaction. DCAA's vision statement provides its ultimate goal: "Our aim is to be the audit organization with the foremost reputation for competence, integrity, and customer satisfaction.

RECENT HQ USACE INTERNAL AUDIT & INSPECTOR GENERAL FINDING

Corps contracting offices are not conducting a thorough market research in their efforts to acquire contractor support services.

FAR 10.001 states that "agencies shall conduct market research appropriate to the circumstances before developing new requirements documents for an acquisition by that agency." It goes on to say techniques for conducting market research may include "querying government data bases that provide information relevant to agency acquisitions ... and obtaining source lists of similar items from other contracting offices and agencies."

The Information Technology Management Reform Act (ITMRA) authorizes the Office of Management and Budget (OMB) to designate "one or more agency heads as executive agents for Governmentwide acquisitions of information technology." Pursuant to that authority, OMB designated the General Services Administration (GSA) as an executive agent, thereby exempting any interagency dealings with GSA from the requirements imposed by the Economy Act. That Act still permits requiring agencies to place orders for goods and services with other agencies,